

ORDINANCE NO. 5443

AN ORDINANCE of the City of Bellevue, Washington, granting Puget Sound Energy, Inc., a Washington corporation, the right, privilege and authority and franchise to set, erect, construct, support, attach, connect and stretch facilities between, maintain, repair, replace, enlarge, operate and use facilities in, upon, under, along and across the franchise area for purposes of transmission, distribution and sale of electrical energy for power, heat, light and any other purpose for which such energy can be used.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Definitions. Where used in this Franchise Ordinance (the "Franchise") the following terms shall mean:

1.1 "City" means the City of Bellevue, a municipal corporation of the State of Washington, and its respective successors and assigns.

1.2 "Facilities" means, collectively, any and all electric transmission and distribution systems, including but not limited to, poles, wires, lines, conduits, ducts, cables, braces, guys, anchors and vaults, transformers, switches, meter-reading devices, fixtures, and communication systems; and any and all other equipment, appliances, attachments, appurtenances and other items necessary, convenient, or in any way appertaining to any and all of the foregoing, whether the same be located over or under ground.

1.3 "Franchise" means the grant of rights, privileges and authority embodied in this Ordinance.

1.4 "Franchise Area" means all rights-of-way for public roads, streets, avenues, alleys, and highways of the City as now laid out, platted, dedicated, acquired or improved; all rights-of-way for public roads, streets, avenues, alleys, and highways that may hereafter be laid out, platted, dedicated, acquired or improved within the present limits of the City and as such limits may be hereafter extended, and; all City owned utility easements dedicated for the placement and location of various utilities provided such easement would permit PSE to fully exercise the rights granted under this Franchise within the area covered by the easement.

1.5 "Ordinance" means this Ordinance No. _____, which sets forth the terms and conditions of this Franchise.

1.6 "Party" or "Parties" means collectively the City and PSE, and individually either the City or PSE.

1.7 "PSE" means Puget Sound Energy, Inc., a Washington corporation, and its respective successors and assigns.

1.8 "Public Works Project" means, any City capital improvement or the construction, relocation, expansion, repair, maintenance, or removal of any part of the Franchise Area or City owned Facilities located on or in the Franchise Area for: parks; roads and/or streets; sidewalks; curbs; pedestrian and/or vehicle traffic; sewers, storm water drains; water Facilities, and; City owned fiber optic cable, conduit or network Facilities.

1.9 "Tariff" means tariff as that term is defined in WAC 480-80-030(3), or such similar definition describing rate schedules, rules and regulations relating to charges and service as may hereinafter be adopted by the regulatory authority with jurisdiction, under the laws of the State of Washington, over public service companies.

1.10 "Third Party" means any person, party or entity other than the City and PSE.

1.11 "WUTC" means the Washington Utilities and Transportation Commission or such successor regulatory agency having jurisdiction over public service companies.

Section 2. Grant of Franchise

2.1 Pursuant to the laws of the State of Washington including, but not limited to, RCW 35A.47.040 and RCW 80.32.010, the City hereby grants to PSE, subject to the terms and conditions as set forth herein, a Franchise for a period of ten (10) years commencing upon the effective date of this Ordinance and subsequent acceptance of such ordinance and Franchise by PSE. This Franchise is granted upon the express condition that PSE, within thirty (30) days after the adoption of this Ordinance, shall file with the clerk of the City a written acceptance of the same. If PSE fails to do so within the time frame above, this Ordinance and Franchise shall be null and void. This Franchise may be renewed, at the sole discretion of the Bellevue City Council, for one additional five (5) year period upon the written request of PSE, such request to be submitted not more than two (2) years nor less than one-hundred-eighty (180) days prior to the expiration of the initial ten (10) year term.

2.2 PSE specifically agrees to comply with the provisions of any applicable City codes, ordinances, regulations, standards, procedures, permits or approvals, as from time to time amended; provided, however, that in the event of a conflict or inconsistency between any such provisions and this Franchise, the express terms and conditions of this Franchise shall govern. The express terms and conditions of the Franchise constitute a valid and enforceable contract between the Parties.

2.3 Upon the effective date of this Ordinance and acceptance of such Ordinance and Franchise by PSE, all prior franchises between the City and PSE, or its predecessors in interest, which it has acquired for the distribution and sale of electrical energy shall be deemed repealed.

Section 3. Non-Franchise Area City Property

3.1 This Franchise shall not convey any right to PSE to install Facilities on or to otherwise use City-owned or leased properties or easements outside the Franchise Area.

3.2 Existing Facilities installed or maintained by PSE in accordance with prior franchise agreements on public grounds and places within the City (but which are not a part of the Franchise Area as defined by this Franchise) may be maintained, repaired and operated by PSE at the location where such Facilities exist as of the effective date of this Franchise for the term of this Franchise; provided, however, that no such Facilities may be enlarged, improved or expanded without the prior review and approval of the City pursuant to the provisions of any applicable City codes, ordinances, regulations, standards, procedures and/or permits, as now exist or as may be hereafter amended or superseded, provided that such provisions are not in conflict or inconsistent with the express terms and conditions of this Franchise.

Section 4. Nonexclusive Franchise

4.1 This Franchise is not and shall not be deemed to be an exclusive Franchise. This Franchise shall not in any manner prohibit the City from granting other and further franchises upon, under and across the Franchise Area which do not interfere with PSE's rights under this Franchise. This Franchise shall not prohibit or prevent the City from using the Franchise Area for any lawful purpose or affect the jurisdiction of the City over the same or any part thereof.

4.2 The City reserves the right to acquire, construct, own, operate and maintain a municipal electric utility to serve all or any portion of the City, at any time during the term of this Franchise and to fully exercise such right in accordance with applicable law.

Section 5. Noninterference of Facilities/Restoration

5.1 PSE's Facilities shall be located and maintained within the Franchise Area so as not to interfere with the free passage of pedestrian and/or vehicle traffic therein, or with the reasonable ingress or egress to the properties abutting the Franchise Area as they exist at the time of installation of the Facilities. Any relocation of PSE Facilities that may be necessary to accommodate a Third Party shall be subject to Section 7 below.

5.2 PSE shall, after installation, construction, relocation, maintenance, removal or repair of any of PSE's Facilities within the Franchise Area, restore the surface of the Franchise Area and any other City property within the Franchise Area which may be disturbed or damaged by such work, to at least the same condition as it was immediately prior to any such work. The City shall have final approval of the condition of the Franchise Area after restoration pursuant to the provisions of applicable City codes, ordinances, regulations, standards and procedures, as now exist or as may be hereafter amended or superseded, provided that such provisions are not in conflict or inconsistent with the express terms and conditions of this Franchise.

5.3 The City may require PSE to post an appropriate bond, as determined by the City, to ensure satisfactory restoration of the Franchise Area following the completion of PSE's work therein. In lieu of a separate bond for routine individual projects involving work in the Franchise Area, PSE may satisfy the City's bond requirements by posting a single on-going performance bond.

5.4 All survey monuments which are disturbed or displaced by PSE in its performance of any work under this Franchise shall be referenced and restored by PSE, as per WAC 332-120, as from time to time amended, and all pertinent federal, state and local standards and specifications.

5.5 All work by PSE pursuant to this Section shall be performed in accord with the permit(s) issued by the City, together with the laws of the State of Washington, the provisions of any applicable City codes, ordinances, regulations, standards and procedures as now exist or as may be hereafter amended or superseded, provided that such provisions are not in conflict or inconsistent with the express terms and conditions of this Franchise.

Section 6. Undergrounding of Facilities

6.1 PSE acknowledges that the City desires to promote a policy of undergrounding of Facilities within the Franchise Area. The City acknowledges that PSE provides electrical service on a non-preferential basis subject to and in accordance with applicable Tariffs on file with the WUTC. Subject to and in accordance with such Tariffs, PSE will cooperate and participate with the City in the formulation of policy and development of an underground management plan with respect to PSE aerial Facilities within the City of Bellevue.

6.2 All new Facilities, of 34.5 kV or less, installed within the Franchise Area during the term of this Franchise shall be located underground; provided that installation of cabinet enclosed switches, transformers and similar equipment will be permitted and installed pursuant to the provisions of any applicable City codes, ordinances, regulations, standards and procedures as now exist or as may be hereafter amended or superseded, provided that such provisions are not in conflict or inconsistent with the express terms and conditions of this Franchise and subject to and in accordance with any applicable Tariffs on file with the WUTC.

6.3 If, during the term of this Franchise, the City shall direct PSE to underground existing Facilities (of 34.5 kV or less) within the City, such undergrounding shall be arranged and accomplished subject to and in accordance with applicable Tariffs on file with the WUTC.

Section 7. Relocation of Facilities

7.1 Whenever the City causes the construction of any Public Works Project within the Franchise Area, or on public grounds and places described in Section 3.2, and such construction necessitates the relocation of PSE's Facilities from their existing location within the Franchise Area or on such public grounds and places, such relocation will be at no cost to the City.

7.2 The City and PSE shall work cooperatively to accomplish any such relocation of PSE's Facilities consistent with procedures contained in a Memorandum of Understanding, mutually agreed to, and as from time to time amended by mutual agreement of the Parties.

7.3 In the event an emergency posing a threat to public safety or welfare requires the relocation of PSE's Facilities within the Franchise Area, the City shall give PSE notice of the emergency as soon as reasonably practicable. Upon receipt of such notice from the City, PSE shall endeavor to respond as soon as reasonably practicable to relocate the affected Facilities.

7.4 Subject to Section 7.5, whenever any Third Party requires the relocation of PSE's Facilities to accommodate work of such Third Party within the Franchise Area or on such public grounds and places described in Section 3.2, then PSE shall have the right as a condition of any such relocation to require payment to PSE, at a time and upon terms acceptable to PSE, for any and all costs and expenses incurred by PSE in the relocation of PSE's Facilities.

7.5 Any condition or requirement imposed by the City upon any Third Party (including, without limitation, any condition or requirement imposed pursuant to any contract or in conjunction with approvals or permits obtained pursuant to any zoning, land use, construction or other development regulation) which requires the relocation of PSE's Facilities within the Franchise Area shall be a condition or requirement causing relocation of PSE's Facilities to occur subject to the provisions of Section 7.4 above; provided, however in the event the City reasonably determines and notifies PSE that the primary purpose of imposing such condition or requirement upon such Third Party is to cause or facilitate the construction of a Public Works Project to be undertaken within a segment of the Franchise Area on the City's behalf and consistent with the City's Capital Investment Plan; Transportation Improvement Program; or the Transportation Facilities Program, then only those costs and expenses incurred by PSE in reconnecting such relocated Facilities with PSE's other Facilities shall be paid to PSE by such Third Party, and PSE shall otherwise relocate

its Facilities within such segment of the Franchise Area in accordance with Section 7.1.

7.6 As to any relocation of PSE's Facilities whereby the cost and expense thereof is to be borne by PSE in accordance with this Section 7, PSE may, after receipt of written notice requesting such relocation, submit in writing to the City alternatives to relocation of its Facilities. Upon the City's receipt from PSE of such written alternatives, the City shall evaluate such alternatives and shall advise PSE in writing if one or more of such alternatives is suitable to accommodate the work which would otherwise necessitate relocation of PSE's Facilities. In evaluating such alternatives, the City shall give each alternative proposed by PSE full and fair consideration with due regard to all facts and circumstances which bear upon the practicality of relocation and alternatives to relocation. No alternative proposed by PSE shall be evaluated by the City in an arbitrary or capricious manner. In the event the City reasonably determines that such alternatives are not appropriate, PSE shall relocate its Facilities as otherwise provided in Section 7.1 and 7.2.

7.7 If the City requires the subsequent relocation of any Facilities within five (5) years from the date of relocation of such Facilities pursuant to Section 7.1 and Section 7.5 (when such Section 7.5 relocation would be considered a Section 7.1 relocation), the City shall bear the entire cost of such subsequent relocation.

7.8 Nothing in this Section 7 shall require PSE to bear any cost or expense in connection with the relocation of any Facilities existing under benefit of easement (other than City owned utility easements described in Section 1.4) or other rights not arising under this Franchise, nor shall anything in this Section 7 require the City to bear any such cost or expense. Nothing in this Section 7 shall be construed to be a waiver of any right of either PSE or the City to contest any claim or assertion by the other of responsibility to pay such cost or expense.

Section 8. Records of Installation and Planning

8.1 Upon the City's reasonable request, PSE shall provide to the City copies of any plans prepared by PSE for potential improvements, relocations and conversions to its Facilities within the Franchise Area; provided, however, any such plans so submitted shall be for informational purposes only and shall not obligate PSE to undertake any specific improvements within the Franchise Area, nor shall such plan be construed as a proposal to undertake any specific improvements within the Franchise Area.

8.2 Upon the City's reasonable request, PSE shall provide to the City copies of available drawings in use by PSE showing the location of its Facilities at specific locations within the Franchise Area. As to any such drawings so provided, PSE does not warrant the accuracy thereof and, to the extent the locations of Facilities are shown, such Facilities are shown in their approximate location. Further, the City and PSE shall work cooperatively, consistent with a Memorandum of Understanding (hereby incorporated by reference) mutually agreed to and as from

time to time amended by mutual agreement of the Parties, to pursue changes in applicable law which would facilitate provision by PSE to the City of such drawings of PSE's Facilities.

8.3 Upon the City's reasonable request, in connection with the design of any Public Works Project, PSE shall verify the location of its underground Facilities within the Franchise Area by excavating (e.g., pot holing) at no expense to the City. In the event PSE performs such excavation, the City shall not require any restoration of the disturbed area in excess of restoration to the same condition as existed immediately prior to the excavation.

8.4 Any drawings and/or information concerning the location of PSE's Facilities provided by PSE shall be used by the City solely for management of the Franchise Area. The City shall take all prudent steps reasonably necessary to prevent disclosure or dissemination of such drawings and/or information to any Third Party, without the prior express consent of PSE, to the extent permitted by law.

8.5 Notwithstanding the foregoing, nothing in this Section 8 is intended (nor shall be construed) to relieve either party of their respective obligations arising under applicable law with respect to determining the location of utility facilities.

Section 9. Coordination, Shared Excavations

9.1 PSE and the City shall each exercise all best reasonable efforts to coordinate any construction work that either may undertake within the Franchise Areas so as to promote the orderly and expeditious performance and completion of such work as a whole. Such efforts shall include, at a minimum, reasonable and diligent efforts to keep the other party and other utilities within the Franchise Areas informed of its intent to undertake such construction work. PSE and the City shall further exercise best reasonable efforts to minimize any delay or hindrance to any construction work undertaken by themselves or other utilities within the Franchise Area.

9.2 If, at any time or from time to time, either PSE or the City shall cause excavations to be made within the Franchise Area, the party causing such excavation to be made shall afford the other, upon receipt of a written request to do so, an opportunity to use such excavation, provided that: (1) such joint use shall not unreasonably delay the work of the party causing the excavation to be made; and (2) such joint use shall be arranged and accomplished on terms and conditions satisfactory to both Parties.

Section 10. City Use of Facilities

10.1 During the term of this Franchise, and with respect to poles that are owned by PSE (in whole or in part), the City may, subject to PSE's prior written consent, which shall not be unreasonably withheld, install and maintain City-owned communications equipment, wires and/or fiber. The City's use of such wires or fibers

shall be for non-commercial municipal communications purposes and such use will be administered under a Joint Facilities Use Agreement between PSE and the City.

10.2 Installation and maintenance shall be done by the City at its sole risk and expense, in accordance with all applicable laws, and subject to such reasonable requirements as PSE may specify from time to time including, without limitation, requirements accommodating PSE's Facilities or the facilities of other parties having the right to use PSE's Facilities.

10.3 PSE shall have no obligation arising under the indemnity and insurance provisions of this Franchise as to any circumstances directly or indirectly caused by or related to such City-owned communications equipment, wires and/or fiber or the installation or maintenance thereof.

10.4 PSE shall not charge the City a rental fee for the use of the poles provided, however, that nothing herein shall require PSE to bear any cost or expense in connection with any such installation and/or maintenance by the City. PSE may charge the City an administrative fee for the purposes of reviewing such joint facility installations.

Section 11. Dispute Resolution

11.1 If there is any dispute or alleged default with respect to performance under this Franchise, the City shall notify PSE in writing, stating with reasonable specificity the nature of the dispute or alleged default. Within seven (7) days of its receipt of such notice, PSE shall provide written response to the City that shall acknowledge receipt of such notice and state PSE's intentions with respect to how PSE shall respond to such notice. PSE shall further have thirty (30) days (the "cure period") from its receipt of such notice to:

A. Respond to the City, contesting the City's assertion(s) as to the dispute or any alleged default and requesting a meeting in accordance with Section 11.2, or:

B. Resolve the dispute or cure the default, or;

C. Notify the City that PSE cannot resolve the dispute or cure the default within thirty (30) days, due to the nature of the dispute or alleged default. Notwithstanding such notice, PSE shall promptly take all reasonable steps to begin to resolve the dispute or cure the default and notify the City in writing and in detail as to the actions that will be taken by PSE and the projected completion date. In such case, the City may set a meeting in accordance with Section 11.2.

11.2 If any dispute is not resolved or any alleged default is not cured or a meeting is requested or set in accordance with Section 11.1., then the City shall promptly schedule a meeting between the City and PSE to discuss the dispute or any alleged default. The City shall notify PSE of the meeting in writing and such

meeting shall take place not less than ten (10) days after PSE's receipt of notice of the meeting. Each Party shall appoint a representative who shall attend the meeting and be responsible for representing the Party's interests. The representatives shall exercise good faith efforts to resolve the dispute or reach agreement on any alleged default and/or any corrective action to be taken. Any dispute (including any dispute concerning the existence of or any corrective action to be taken to cure any alleged default) that is not resolved within ten (10) days following the conclusion of the meeting shall be referred by the Parties' representatives in writing to the senior management of the Parties for resolution. In the event senior management is unable to resolve the dispute within twenty (20) days of such referral (or such other period as the Parties may agree upon), each Party may pursue resolution of the dispute or any alleged default through other legal means consistent with Section 12 of this Franchise. All negotiations pursuant to these procedures for the resolution of disputes shall be confidential and shall be treated as compromise and settlement negotiations for purposes of the state and federal rules of evidence.

11.3 If, at the conclusion of the steps provided for in Section 11.1 and 11.2 above, the City and PSE are unable to settle the dispute or agree upon the existence of a default or the corrective action to be taken to cure any alleged default, the City or PSE (as PSE may have authority to do so) may:

A. Take any enforcement or corrective action provided for in City code, as from time to time amended; provided such action is not otherwise in conflict with the provisions of this Franchise, and/or;

B. Demand arbitration, pursuant to Section 12 below, for disputes arising out of or related to Sections 2.2 (or such other sections with respect to the existence of conflicts or inconsistencies with the express terms and conditions of this Franchise and any applicable City codes, ordinances, regulations, standards and procedures as now exist or as may be hereafter amended or superseded), 3, 6 (except as preempted by WUTC authority), 7 (excluding project delay claims exceeding \$30,000), 8, 10, 15, 16, and 23 of this Franchise (the "Arbitrable Claims"), and/or;

C. By ordinance, declare an immediate forfeiture of this Franchise for a breach of any material, non-arbitrable, obligations under this Franchise and/or;

D. Take such other action to which it is entitled under this Franchise or any applicable law.

11.4 Unless otherwise agreed by the City and PSE in writing, the City and PSE shall, as may reasonably be practicable, continue to perform their respective obligations under this Franchise during the pendency of any dispute.

Section 12. Arbitration

12.1 The Parties agree that any dispute, controversy, or claim arising out of or relating to the Arbitrable Claims, shall be referred for resolution to the American Arbitration Association in accordance with the rules and procedures in force at the time of the submission of a request for arbitration.

12.2 The arbitrators shall allow such discovery as is appropriate to the purposes of arbitration in accomplishing a fair, speedy and cost-effective resolution of the dispute(s). The arbitrators shall reference the Washington State Rules of Civil Procedure then in effect in setting the scope and timing of discovery. The Washington State Rules of Evidence shall apply in toto. The arbitrators may enter a default decision against any Party who fails to participate in the arbitration proceedings.

12.3 The arbitrators shall have the authority to award compensatory damages, including consequential damages. Such damages may include, but shall not be limited to: all costs and expenses of materials, equipment, supplies, utilities, consumables, goods and other items; all costs and expenses of any staff; all costs and expenses of any labor (including, but not limited to, labor of any contractors and/or subcontractors); all pre-arbitration costs and expenses of consultants, attorneys, accountants, professional and other services; and all taxes, insurance, interest expenses, overhead and general administrative costs and expenses, and other costs and expenses of any kind incurred in connection with the dispute. The arbitrator may award equitable relief in those circumstances where monetary damages would be inadequate.

12.4 Any award by the arbitrators shall be accompanied by a written opinion setting forth the findings of fact and conclusions of law relied upon in reaching the decision. The award rendered by the arbitrators shall be final, binding and non-appealable, and judgment upon such award may be entered by any court of competent jurisdiction.

12.5 Except as provided in Section 12.7 below, each Party shall pay the fees of its own attorneys, expenses of witnesses and all other expenses and costs in connection with the presentation of such Party's case including, without limitation, the cost of any records, transcripts or other things used by the Parties for the arbitration, copies of any documents used in evidence, certified copies of any court, property or City documents or records that are placed into evidence by a Party.

12.6 Except as provided in Section 12.7 below, the remaining costs of the arbitration, including without limitation, fees of the arbitrators, costs of records or transcripts prepared for the arbitrator's use in the arbitration, costs of producing the arbitrator's decision and administrative fees shall be borne equally by the Parties.

12.7 Notwithstanding the foregoing Sections 12.5 and 12.6, in the event either Party is found during the term of this Franchise to be the prevailing party in

any two (2) arbitration proceedings brought by such Party pursuant to this Section 12, or under any Memorandum of Understanding provided for in Sections 7.2, 8.2 and 15.3 of this Franchise or any other Memorandum of Understanding between the Parties that provides therefore, then such Party shall thereafter be entitled to recover all reasonably incurred costs, fees and expenses, including attorney fees, for any subsequent arbitration brought by them in which they are found to be the prevailing party.

12.8 In the event a Party desires to make a copy of the transcript of an arbitration proceeding for its use in writing a post-hearing brief, or a copy of an arbitration decision to append to a lawsuit to reduce the award to judgment, etc., then that Party shall bear the cost thereof, except to the extent such cost might be allowed by a court as court costs.

Section 13. Alternative Remedies

No provision of this Franchise shall be deemed to bar the right of the City or PSE to seek or obtain judicial relief from a violation of any provision of the Franchise or any rule, regulation, requirement or directive promulgated thereunder for non-Arbitrable Claims. Neither the existence of other remedies identified in this Franchise nor the exercise thereof shall be deemed to bar or otherwise limit the right of the City or PSE to recover monetary damages for such violations by the other Party, or to seek and obtain judicial enforcement of the other Party's obligations by means of specific performance, injunctive relief or mandate, or any other remedy at law or in equity.

Section 14. Indemnification

14.1 PSE shall indemnify, defend and hold the City, its agents, officers or employees harmless from and against any and all claims, demands, liability, loss, cost, damage or expense of any nature whatsoever including all costs and attorneys' fees, made against the City, its agents, officers or employees on account of injury, harm, death or damage to persons or property which is caused by, in whole or in part, and then only to the extent of, the willfully tortuous or negligent acts or omissions of PSE or its agents, servants, employees, contractors, or subcontractors in the exercise of the rights granted to PSE by this Franchise. Provided, however, such indemnification shall not extend to that portion of any claims, demands, liability, loss, cost, damage or expense of any nature whatsoever including all costs and attorneys' fees caused by the negligence of the City, its agents, employees, officers, contractors or subcontractors.

14.2 PSE's indemnification obligations pursuant to this Section 14 shall include assuming potential liability for actions brought by PSE's own employees and the employees of PSE's agents, representatives, contractors, and subcontractors even though PSE might be immune under Title 51 RCW from direct suit brought by such employees. It is expressly agreed and understood that this assumption of potential liability for actions brought by the aforementioned employees is limited solely to claims against the City arising by virtue of PSE's exercise of the rights set forth in this

Agreement. The obligations of PSE under this section have been mutually negotiated by the Parties hereto, and PSE acknowledges that the City would not enter into this Agreement without PSE's waiver thereof. To the extent required to provide this indemnification and this indemnification only, PSE waives its immunity under Title 51 RCW as provided in RCW 4.24.115.

14.3 In the event any matter (for which the City intends to assert its rights under this Section 14) is presented to or filed with the City, the City shall promptly notify PSE thereof and PSE shall have the right, at its election and at its sole costs and expense, to settle and compromise such matter as it pertains to PSE's responsibility to indemnify, defend and hold harmless the City, its agents, officers or employees. In the event any suit or action is started against the City based upon any such matter, the City shall likewise promptly notify PSE thereof, and PSE shall have the right, at its election and at its sole cost and expense, to settle and compromise such suit or action, or defend the same at its sole cost and expense, by attorneys of its own election, as it pertains to PSE's responsibility to indemnify, defend and hold harmless the City, its agents, officers or employees.

Section 15. Vegetation Management Plan

15.1 The Parties recognize that any appropriate vegetation management plan should adequately balance safety, reliability, vegetation health and community aesthetic concerns and the clearance between vegetation and PSE's Facilities necessary for public safety and operational reliability.

15.2 PSE will coordinate its vegetation management activities within and/or adjacent to the Franchise Area with appropriate City departments, including Transportation, Fire and Parks. On an annual basis PSE will provide to the City a proposed vegetation management plan. Thereafter, upon the request of the City, and no more often than quarterly, PSE will meet with the City to coordinate the implementation of the plan; provided however that such commitment to coordinate with the City shall not limit PSE's right under this Franchise or duty under law to remove or trim vegetation which, due to proximity to PSE's Facilities, poses an imminent risk to public safety.

15.3 Trimming and removal of vegetation within and/or adjacent to the Franchise Area will be performed using standard practices accepted by the International Society of Arboriculture addressing vegetation health and aesthetics and consistent with practices contained in a Memorandum of Understanding mutually agreed to by, and from time to time amended by mutual agreement of, the Parties.

15.4 PSE will, in coordination with City staff, identify vegetation species appropriate for location in proximity to PSE Facilities and shall cooperatively act with the City to promote use of such identified species in proximity to those Facilities.

Section 16. Emergency Management

Annually, upon the request of the City, PSE will meet with the City Fire/Emergency Preparedness Department to coordinate emergency management operations and, at least once a year, at the request of the City, PSE personnel will actively participate with either the Fire Department or the City Emergency Operations Center in emergency preparedness drills or planning sessions.

Section 17. Moving Buildings Within the Franchise Area

17.1 If any person or entity other than the City obtains permission in the form of a permit from the City to use the Franchise Area for the moving or removal of any building or other object, the City shall, prior to granting such permission, require such person or entity to make any necessary arrangements with PSE for the temporary adjustment of PSE's wires to accommodate the moving or removal of such building or other object. Such necessary arrangements with PSE shall be made, to PSE's satisfaction, not less than fourteen (14) days prior to the moving or removal of said building or other object.

17.2 In such event, PSE shall, at the expense of the person or entity desiring to move or remove such building or other object, adjust any of its wires which may obstruct the moving or removal of such building or other object, provided that:

A. The moving or removal of such building or other object which necessitates the adjustment of wires shall be done at a reasonable time and in a reasonable manner so as not to unreasonably interfere with PSE's business; and

B. The person or entity other than the City obtaining such permission from the City to move or remove such building or other object shall be required to indemnify and hold PSE harmless from any and all claims and demands made against it on account of injury or damage to the person or property of another arising out of or in conjunction with the moving or removal of such building or other object, to the extent such injury or damage is caused by the negligence of the person or entity moving or removing such building or other object or the negligence of the agents, servants or employees of the person or entity moving or removing such building or other object.

Section 18. Assignment of Franchise

All of the provisions, conditions and requirements herein contained shall be binding upon PSE and the City. PSE may not assign or otherwise transfer its rights, privileges, authority and Franchise herein conferred without the prior written authorization and approval of the City, which shall not be unreasonably withheld. The City hereby authorizes and approves the mortgage by PSE of its rights, privileges, authority and Franchise in and under this Franchise to the trustee for its bondholders.

Section 19. Severability and Survival

19.1 If any term, provision, condition or portion of this Franchise shall be held to be invalid such invalidity shall not affect the validity of the remaining portions of this Franchise which shall continue in full force and effect. The headings of the sections and paragraphs of this Franchise are for convenience of reference only and are not intended to restrict, affect or be of any weight in the interpretation or construction of the provisions of such sections or paragraphs.

19.2 All provisions, conditions and requirements of this Franchise that may be reasonably construed to survive the termination or expiration of this Franchise shall survive the termination or expiration of the Franchise. Subject to Section 18 above, the Parties' respective rights and interests under this Franchise shall inure to the benefit of their respective successors and assigns.

Section 20. Amendments to Franchise

20.1 This Franchise may be amended only by mutual agreement thereto, set forth in writing in the form of a City ordinance, signed by both Parties, which specifically states that it is an amendment to this Franchise and is approved and executed in accordance with the laws of the State of Washington. Without limiting the generality of the foregoing, this Franchise (including, without limitation the Sections addressing indemnification and insurance) shall govern and supersede and shall not be changed, modified, deleted, added to, supplemented or otherwise amended by any permit, approval, license, agreement or other document required by or obtained from the City in conjunction with the exercise (or failure to exercise) by PSE of any and all of its rights, benefits, privileges, obligations or duties in and under this Franchise, unless such permit, approval, license, agreement or other document specifically:

- A. References this Franchise; and
- B. States that it contains terms and conditions which change, modify, delete, add to, supplement or otherwise amend the terms and conditions of this Franchise.

Section 21. No Third Party Beneficiary

Nothing in this Franchise shall be construed to create or confer any right or remedy upon any person(s) other than the City and PSE. No action may be commenced or prosecuted against any Party by any Third Party claiming as a Third Party beneficiary of this Franchise. This Franchise shall not release or discharge any obligation or liability of any Third Party to either Party.

Section 22. Insurance

22.1 PSE shall procure and maintain for the duration of the Franchise,

insurance, or provide self-insurance, against all claims for injuries to persons or damages to property which may arise from or in connection with the exercise of the rights, privileges and authority granted hereunder to PSE, its agents, representatives or employees. PSE shall provide evidence of self-insurance and/or an insurance certificate, together with an endorsement naming the City, its officers, elected officials, agents, employees, representatives, engineers, consultants and volunteers as additional insureds, to the City for its inspection prior to the commencement of any work or installation of any Facilities pursuant to this Franchise, and such self-insurance and/or insurance certificate shall evidence the following minimum coverages:

A. Comprehensive general liability insurance including coverage for premises - operations, explosions and collapse hazard, underground hazard and products completed hazard, written on an occurrence basis, with limits not less than:

- (1) \$2,000,000 for bodily injury or death to each person;
- (2) \$2,000,000 for property damage resulting from any one accident; and
- (3) \$2,000,000 for general liability.

B. Automobile liability for owned, non-owned and hired vehicles with a limit of \$2,000,000 for each person and \$2,000,000 for each accident;

C. Worker's compensation within statutory limits and employer's liability insurance with limits of not less than \$2,000,000;

22.2 Any deductibles or self-insured retentions must be declared to the City. Payment of deductibles and self-insured retentions shall be the sole responsibility of PSE. The insurance certificate required by this Section shall contain a clause stating that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

22.3 PSE's insurance shall be primary insurance with respect to the City, its officers, officials, employees, agents, consultants, and volunteers. Any insurance maintained by the City, its officers, officials, employees, consultants, agents, and volunteers shall be in excess of PSE's insurance and shall not contribute with it.

22.4 In addition to the coverage requirements set forth in this Section, the certificate of insurance shall provide that:

"The above described policies will not be canceled before the expiration date thereof, without the issuing company giving sixty (60) days written notice to the certificate holder."

In the event of said cancellation or intent not to renew, PSE shall obtain and furnish to the City evidence of replacement insurance policies meeting the requirements of this Section by the cancellation date.

Section 23. Notice of Tariff Changes

PSE shall, when making application for any changes in tariffs affecting the provisions of the Franchise, notify the City in writing of the application and provide City with a copy of the submitted application within five (5) days of filing with the WUTC. PSE shall further provide the City with a copy of any actual approved tariff(s) affecting the provision of this Franchise.

Section 24. Force Majeure

In the event that either Party is prevented or delayed in the performance of any of its obligations under this Franchise by reason beyond its reasonable control (a "Force Majeure Event"), then that Party's performance shall be excused during the Force Majeure Event. Force Majeure Events shall include, without limitation, war; civil disturbance; flood, earthquake or other Act of God; storm, earthquake or other condition which necessitates the mobilization of the personnel of a Party or its contractors to restore utility service to customers; laws, regulations, rules or orders of any governmental agency; sabotage; strikes or similar labor disputes involving personnel of a Party, its contractors or a Third Party; or any failure or delay in the performance by the other Party, or a Third Party who is not an employee, agent or contractor of the Party claiming a Force Majeure Event, in connection with this Franchise. Upon removal or termination of the Force Majeure Event, the Party claiming a Force Majeure Event shall promptly perform the affected obligations in an orderly and expedited manner under this Franchise or procure a substitute for such obligation. The Parties shall use all commercially reasonable efforts to eliminate or minimize any delay caused by a Force Majeure Event.

Section 25. Memorandum of Understanding

25.1 The Parties agree to develop and maintain in effect for the term of this Franchise certain Memoranda of Understanding as provided for in Sections 7.2, 8.2 and 15.3 of this Franchise. These Memoranda of Understanding shall, among other things, detail the expectation of the Parties regarding their respective responsibilities and performance relating to the subject matter thereof.

25.2 In the event any of the Memoranda of Understanding provided for by this Section 25 are not in place (by mutual agreement of the Parties) within 180 days of effective date of this Ordinance then the City may, at its option and by ordinance, declare a forfeiture of this Franchise.

25.3 In the event of performance by either Party which is, or which may be asserted or construed to be, inconsistent with the expectations contained in any of the Memoranda of Understanding provided for by this Section 25, such performance shall

not be, nor shall such performance be construed to be, a failure to perform any material obligation under this Franchise for the purposes of Section 11 and Section 12 of this Franchise.

Section 26. Effective Date

This Ordinance shall be effective on May 14, 2003, having first been submitted to the City Attorney, having been introduced to the City Council not less than five days before its passage; having been passed at a regular meeting of the City Council by an approving vote of at least a majority thereof; and having been published at least once in a newspaper of general circulation in the City.

(SEAL)

Connie B. Marshall, Mayor

Approved as to form:

Richard L. Andrews, City Attorney

Richard Gidley, Deputy City Attorney

Attest:

Myrna L. Basich, City Clerk

Published May 9, 2003